



LAURAN N. CHICK
INSPECTOR GENERAL

STATE OF CALIFORNIA
OFFICE OF THE INSPECTOR GENERAL
AMERICAN RECOVERY ACT FUNDS

April 14, 2010

The Honorable Arnold Schwarzenegger
The Honorable Members of the California State Legislature
State Capitol
Sacramento, California 95816

Dear Governor Schwarzenegger and Members of the Legislature:

One of the central goals of the Federal Recovery Act is to stabilize the economy by shoring up existing programs that assist those most in need. The California Department of Social Services oversees the Temporary Assistance for Needy Families and Temporary Emergency Food Assistance Programs. My auditors reviewed the spending by three agencies that are receiving Recovery Act funds for these programs.

It has been well documented in previous audits and reports that overall, the State does not do a good enough job overseeing the spending of grant dollars. The Department of Social Services is no exception.

My review found that the Department is not properly monitoring and ensuring that counties are expending the funds as they should be. In Shasta County, we found that about 12% of their expended were incorrectly claimed for administrative costs.

In addition, we found that the Department of Social Services released Recovery Act funds to San Bernardino County before the County had reached the necessary qualifying threshold of expenditures. The County still had not spent \$300,000 of their regular assistance funds. Instead of giving them Recovery dollars, the Department should have expediently re-allocated these monies to counties who had already demonstrated an unmet need.

These important dollars are targeted for those families who are struggling to make ends meet, and San Bernardino County is an area which desperately needs help. The unemployment rate is hovering near 15% and the housing market crash has decimated neighborhood after neighborhood with a foreclosure rate which is one of the highest in the nation.

It is unfathomable that in an area crying for help, the county agency did not expend its regular base assistance dollars that would qualify to receive additional Recovery Act dollars. Do they not need them?

My reviews have also found that Social Services has not processed claims by counties in a timely manner. This delays cash flow of federal funds to counties and also places the State Department at risk of non-compliance with federal reporting and increases the risk of penalty to the State.

We are constantly hearing that State Departments do not have good internal controls. This report illustrates the consequences. It can mean that the people really needing the funds are not receiving them and that dollars are not being spent for their intended purpose.

Sincerely,

A handwritten signature in cursive script that reads "Laura N. Chick". The signature is fluid and elegant, with a large initial "L" and a long, sweeping underline.

LAURA N. CHICK
Inspector General



LAURA N. CHICK
INSPECTOR GENERAL

STATE OF CALIFORNIA
OFFICE OF THE INSPECTOR GENERAL
AMERICAN RECOVERY ACT FUNDS

Transmitted via e-mail

April 14, 2010

Mr. John A. Wagner, Director
Department of Social Services
744 P Street
Sacramento, CA 95814

Dear Mr. Wagner:

Final Review Report—California Department of Social Services

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act (ARRA) reviewed the ARRA funds for the Temporary Assistance for Needy Families (TANF), Emergency Contingency Fund (ECF) and the Temporary Emergency Food Assistance Program (TEFAP) awarded to the California Department of Social Services (CDSS).

SCOPE

The IG selected Sacramento County and San Bernardino County to review ARRA funds advanced for the ECF, with a review period of July 1, 2009 through December 31, 2009. Additionally, the IG selected Shasta Senior Nutrition Programs (SSNP), Inc., to review ARRA funds for TEFAP. The review period for SSNP was March 1, 2009 through December 31, 2009.

The reviews' objectives were to determine whether ARRA funds were properly accounted for and used in accordance with applicable laws, regulations, and ARRA requirements.

The results of the reviews are based on our review of documentation and interviews with the counties, SSNP, and CDSS staff directly responsible for administering ARRA funds.

METHODOLOGY

To determine whether expenditures were in compliance with applicable laws, regulations, and ARRA requirements, the following procedures were performed:

- Interviewed key personnel and reviewed applicable policies and procedures.
- Selected a sample of reported expenditures to determine if they were:
 - Allowable
 - Program related
 - Incurred within the reporting period
 - Adequately supported
 - Properly recorded
 - Not reimbursed by another funding source
- Reviewed revenues to determine if they were properly recorded and supported.

- Reviewed accounting records and supporting documents to determine if ARRA funds were properly accounted for and expended.
- Reviewed costs and allocation methods applied to the ECF subsidized employment program and the TEFAP program for propriety and reasonableness.

REVIEW RESULTS

For the TANF ECF program, we identified the following issues:

Inadequate Monitoring and Reporting of Quarterly Base Level Expenditures

In order to be eligible to receive ARRA funds, CDSS is required to ensure that the State has met base level expenditure requirements. Our review disclosed that CDSS is not properly monitoring to ensuring that counties are meeting these requirements. For example, in our review of San Bernardino County for fiscal year 2009-10, we concluded that their base level expenditures were 42 percent less than the expected level of expenditures. While the county was expected to reach \$743,163, the reported base level expenditures were \$434,276, a difference of \$308,887.

The Bureau of State Audits (BSA) June 2009 Report states, "Social Services has no way of assuring that counties are spending federal funds only on allowable activities and costs because it does not require the counties to submit detailed supporting documentation for their expense and assistance claims, nor did it conduct any on-site visits to validate the claims."

This lack of monitoring, and the reporting of inaccurate financial information could put the State at risk of losing ARRA funds.

Untimely Processing of County Expense Claims

As of March 24, 2010, CDSS has not completed its audit of the second quarter County Expense Claim (CEC), ending December 31, 2009. Once CDSS audits the CEC, they submit the TANF Financial Report to the federal Administration for Children and Families (Administration). While the TANF Financial Report was due February 14, 2010, it had not yet been submitted at the end of fieldwork. CDSS staff reported that the Administration granted an extension that allows CDSS to submit the quarterly financial report at the end of the subsequent quarter. CDSS did not possess written documentation of this extension. Furthermore, we received an e-mail from the Administration on March 25, 2010 stating "that we are not granting anymore extensions to the expenditure reports." Also, the Administration stated that, "States not submitting the required quarterly TANF Financial Report may give rise to a penalty."

The timely processing of quarterly CECs is essential to the counties. The untimely processing of CECs delays cash flow of federal funds to counties and places CDSS at risk of non-compliance with federal reporting and increases the risk of penalty to the State.

Incorrect Calculation of the Required County Match

The CEC template provided by CDSS to counties, incorrectly calculates the required 20 percent county match. The template does not include allocable total staff development costs in total ECF expenditures when calculating the county match amount. As a result, the counties underreported county match for the first and second quarter of Fiscal Year 2009-10.

CDSS should recalculate each county's match for the first and second quarter, and adjust reported ECF expenditures accordingly. In addition, CDSS should ensure that the CEC template for the subsequent quarters includes total staff development costs when calculating the required county match.

For the TEFAP, we identified the following issues:

TEFAP Sub-Recipients Not Required to Track ARRA Funds Separately

Our review of the SSNP's general ledgers confirmed that they do not separately record various funding sources. As stated in the Executive Office of the President's Office of Management and Budget's Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009 (M-09-15), "to maximize transparency of Recovery Act spending required by Congress and the Administration, agencies must not co-mingle Recovery Act funds with other funds."

CDSS should immediately issue guidance to their sub-recipients informing them of the requirement to track ARRA funds separately and comply with all ARRA requirements.

Documentation of ARRA Claimed Expenditures Not Required

The CDSS' TEFAP policy for fiscal year 2009-10 allows food banks to submit minimal supporting documentation for quarterly claims. During the IG's review, CDSS could not provide supporting documents for the wages paid to SSNP for ARRA funded activities. Further, our review indicated a payment to SSNP for an ARRA funded wage claim which had previously been paid by CDSS. To assure accountability and transparency of ARRA funds, the DCSS should immediately re-evaluate their policy on requiring supporting documentation for quarterly claims.

CONCLUSION

The deficiencies identified above indicate weaknesses in the effectiveness and reliability of the CDSS' administration and monitoring of ARRA funds. These deficiencies may negatively affect the reliability of accounting reports, the accountability of ARRA funds, and management's ability to make appropriate business decisions.

The CDSS's response has been included in this report. In accordance with the Inspector General's policy of increased transparency, the final report will be placed on our website, <http://www.inspectorgeneral.ca.gov>.

We appreciate the assistance and cooperation of the CDSS. If you have any questions regarding this report, please contact, Penny Krueger, Supervisor, at (916) 322-3003.

Sincerely,



Laura N. Chick, Inspector General
State of California, American Recovery and Reinvestment Act Funds

cc: Ms. Cynthia Fair, Chief, Information Security and Audits, Department of Social Services
Mr. Pat Fitzgerald, Assistant Branch Manager, Estimates and Research Services Branch,
Department of Social Services

RESPONSE



JOHN A. WAGNER
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



ARNOLD SCHWARZENEGGER
GOVERNOR

April 7, 2010

Ms. Laura N. Chick, Inspector General
Office of the Inspector General
American Recovery Act Funds
1400 Tenth Street
Sacramento, CA 95814

Dear Inspector General Chick:

SUBJECT: DRAFT REVIEW REPORT – CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS)

The following is the CDSS' response to your Draft Review Report, dated March 29, 2010. To facilitate your review, we have restated the issues, and they appear in the same order as your letter.

Inadequate Monitoring and Reporting of Quarterly Base Level Expenditures

The expenditures cited in the draft report were for the Emergency Contingency Fund (ECF) - Subsidized Employment Program which was only recently implemented. Federal and state guidelines require that the base expenditures be met before counties are eligible for 80 percent federal reimbursement. Base expenditures are tracked through two separate processes, one involving the California Welfare Directors Association (CWDA) and another which identifies costs to base year codes through the County Expense Claim (CEC). The problems referenced in this first finding were identified by CDSS as part of the normal desk audit process. No funds were claimed or reimbursed inappropriately.

The CWDA collects base information at the end of each quarter prior to the counties' submission of their prior-to-audit claim. This process and CWDA's role is spelled out in County Fiscal Letter 09/10-32, dated October 26, 2009 (copy attached). The primary purpose for collecting base information is to make sure that collectively counties have met the base and that CDSS has sufficient base expenditures prior to claiming ECF reimbursement. This is a two-step review process unique to American Recovery and Reinvestment Act (ARRA) funds.

Although there were problems with county claims and identifying base year expenditures, this was partly due to the fact that it is a new program, and federal guidance was late, delaying release of clarifying instructions to the counties.

Inspector General Chick

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However, CDSS promptly addressed the issues through discussions with CWDA and counties to refine the process, as well as the release of a County Fiscal Information Notice, CN-09-1044, dated March 4, 2010, (copy attached) to clarify claiming instructions. A joint CDSS/CWDA conference call with counties will also be conducted this month to further clarify processes and reinforce claiming protocols.

Untimely Processing of County Expense Claims

The CDSS rarely misses the due date for submitting the TANF Financial Report (ACF 196). This unusual delay was due to vacancies in the CDSS Claims Audit Unit, and increased workload associated with ECF related claiming issues (see previous response).

The CDSS completed the audit of the December 2009 CEC on Monday, March 29, 2010. The ACF-196 report was submitted to the Administration for Children and Families (ACF) on March 30, 2010. Per 45 CFR 265.8(c), California will not be subject to a penalty if the state files the complete and accurate report by the end of the fiscal quarter that immediately succeeds the fiscal quarter for which the reports were required. The ACF has confirmed receipt of the ACF 196 for the quarter ending December 31, 2009.

While the timely processing of the CEC is our goal, in this case there was no delay in cash flow of federal funds to counties because the counties are advanced funds. The reconciliation of actual expenditures to advances will be delayed one month for the December quarter.

Incorrect Calculation of the Required County Match

The CDSS agrees with this observation. The CEC template has been amended and claims for the December 2009 quarterly claims have been adjusted accordingly. Counties will submit amended claims for the September 2009 quarter to adjust for the approximate \$6,000 in federal funds over claimed. Subsequent quarterly CEC templates will be tested to ensure this does not reoccur.

TEFAP Sub-Recipients Not Required to Track ARRA Funds Separately

On June 10, 2009, CDSS issued an ARRA Allocation Memo to all food bank directors and their fiscal officers, which referenced and attached a copy of the U.S. Department of Agriculture memorandum dated May 20, 2009, summarizing the provisions of M-09-15 and Federal Register Guidance dated April 23, 2009.

Inspector General Chick
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In addition, the ARRA Allocation Memo specifically directed food banks to submit separate claims for ARRA administrative expenditures. In light of this finding, CDSS will reissue guidance to the food banks on the importance of tracking funds separately when the Federal Fiscal Year 2010 ARRA approval letters are issued.

Documentation of ARRA-Claimed Expenditures Not Required

The CDSS staff review monthly claims submitted by the food banks. We do not require the individual sub-recipients to forward all of their documentation; however, we do instruct them to maintain those records for audit purposes. The CDSS does rely on A-133 audits (where applicable), and reviews are conducted annually of approximately 25 percent of the food banks - concentrating on those that are deemed high-risk. The Shasta Senior Nutrition program was actually scheduled for a review during the month of April 2010.

If in the course of the reviews or the A-133 audits, CDSS identifies patterns of inappropriate claiming, then the scope and/or review process will be adjusted accordingly.

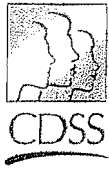
The CDSS appreciates the observations from your first round of reviews. We believe that most of the issues stem from issues not uncommon to the implementation of new programs. Nonetheless, we will adjust our processes and issue sub-recipient guidance accordingly to minimize or eliminate future problems.

Please contact me at 916-657-2598, or have your staff contact Pat Fitzgerald at 916-651-9910, if you have further issues or concerns.

Sincerely,


for JOHN A. WAGNER
Director

Attachments



JOHN A. WAGNER
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



ARNOLD SCHWARZENEGGER
GOVERNOR

March 4, 2010

COUNTY FISCAL INFORMATION NOTICE NO. CN-09-1044

TO: ALL COUNTY FISCAL OFFICERS
ALL COUNTY AUDITOR CONTROLLERS
ALL COUNTY WELFARE DIRECTORS
ALL CALWORKS PROGRAM SPECIALISTS
ALL COUNTY WELFARE TO WORK COORDINATORS
ALL COUNTY CONSORTIA MANAGERS

SUBJECT: CLARIFYING CLAIMING INSTRUCTIONS REGARDING THE
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)
EMERGENCY CONTINGENCY FUND (ECF): SUBSIDIZED
EMPLOYMENT

REFERENCE: COUNTY FISCAL LETTER (CFL) 09/10-32, DATED
OCTOBER 26, 2009 AND ALL COUNTY LETTER (ACL) 09-42,
DATED SEPTEMBER 15, 2009

The purpose of this letter is to provide clarification to claiming instructions provided in CFL 09/10-32 regarding the use of TANF ECF funds for subsidized employment, due to county questions and recently released federal guidance.

ECF Eligible Expenditures

The California Department of Social Services (CDSS) has received many questions asking what populations are considered eligible to receive services when it comes to funding subsidized employment with TANF ECF.

Because subsidized employment services do not constitute "assistance" under federal TANF law, safety net families can receive subsidized employment funded with TANF ECF. Counties can claim costs for safety net families to those codes identified as "Fund with Single Allocation – Federally Eligible population" on page 6 of the claiming instructions (CFL 09/10-32). Counties may also choose to claim costs for safety net families to any of the ECF codes that are funded 80 percent ECF and 20 percent using county funds/third party contributions or Fraud Incentives.

Families composed of persons fleeing to avoid prosecution, or custody or confinement after conviction for a felony, and families that include a person who has been convicted of certain drug-related felonies may be eligible to receive TANF ECF subsidized employment services if they meet the definition of a "needy family". Counties can claim these costs to any of the ECF codes that are funded 80 percent ECF and 20 percent using county/third party contributions or Fraud Incentives. The Single Allocation cannot be used to fund services for these families. Instructions for claiming TANF ECF can be found in CFL 09/10-32.

Unallowable ECF Expenditures

CFL 09/10-32 instructed counties to claim the nonfederal California Work Opportunity and Responsibility to Kids Program recipient's wage subsidies and other administrative costs associated with subsidized employment to program code (PC) 876 (Admin) or PC 877 (Non-Admin), if the recipient is not federally eligible under TANF. To clarify, the nonfederal population referred to in CFL 09/10-32 is only the recent non-citizen entrant population, where the individual has resided in the country for less than five years and is ineligible to receive TANF assistance and services. Under federal law, persons who legally entered the United States are ineligible for any means-tested public benefit for a period of five years; unless that person meets an exception based on their immigration status (i.e. this excludes refugees and asylees). Thus, counties may earn TANF ECF by providing services to this population; however, services provided to this population cannot be funded with TANF dollars, including TANF ECF. Therefore, services to this population must be funded solely with state funds. PCs 876 and 877 must be used to claim costs when a county chooses to provide subsidized employment services to recent non-citizen entrants.

Subsidized employment, funded with federal or state funds, for undocumented citizens is not allowable under any circumstance.

Third Party Expenditures

The recently updated federal Question and Answer (Q&A), posted on the Administration for Children and Families (ACF) website, stated that "The employer's costs for supervising and training a subsidized employee can count as a State expenditure for MOE and the Emergency Fund, but not the employer's unreimbursed wage costs". ACF has recently confirmed that claiming of an employer's unreimbursed wage costs, such as employer taxes, worker's compensation insurance, etc. as third party expenditures is not allowable. As mentioned in CFL 09/10-32, counties must internally document their third party expenditures, as these expenditures may be subject to future audits.

For estimating and claiming quarterly expenditures, ACF has allowed states to assume up to an additional 25 percent of a recipient's wage (excluding benefits, payroll taxes, workers' compensation, etc.) for supervision and training as a third party contribution without providing additional documentation for application purposes. However, if the

supervision and training exceeds 25 percent of a recipient's wages or the county is using a different methodology, CDSS must obtain federal approval of that methodology. The county must document and submit the methodology through the County Welfare Director's Association (CWDA) data collection process used to support the TANF ECF applications. Counties must also retain such documentation of the costs.

Third Party Base Year Adjustments

The Q&A also informed states that if third party expenditures are claimed as Maintenance of Efforts (MOE) in Federal Fiscal Year (FFY) 2009 or FFY 2010 for purposes of earning TANF ECF, adjustments for similar third party spending in the base years must be included whether or not they were previously claimed as MOE. The Q&A extends this adjustment down to third party organizations, whether or not a county had previous relations with that third party organization in the base years. Therefore, if a county establishes a relationship with a third party in FFY 2009 or FFY 2010 to provide services to their recipients and the third party's expenditures for programs that served persons eligible for TANF are used as the 20 percent to claim ECF, the county must also capture the third party organization's expenditures for subsidized employment programs that served persons who would have been eligible for California TANF ECF services in the base years. (See pages 3-4 of ACL 09-42) Any new third party base expenditures must be reported through the CWDA data collection process used to support the TANF ECF applications.

Time Study Code Descriptions

The time study code descriptions for the TANF ECF claiming codes were inadvertently omitted from CFL 09/10-32 and are attached to this letter. *Please note that the codes and descriptions attached have not changed from those provided in CFL 09/10-32.* A pdf copy of these descriptions can also be found at:
http://www.dss.cahwnet.gov/lettersnotices/entres/getinfo/CFL_Code/ProgCodeDescriptions.pdf

The federal Q&A can be found at: <http://www.acf.hhs.gov/programs/ofa/recovery/tanf-faq.htm>.
Claiming questions regarding this letter can be directed to fiscal.systems@dss.ca.gov.

Sincerely,

Original Document Signed By:

KAREN CAGLE, Chief
Estimates and Research Services Branch

Enclosures

cc: CWDA

**TANF ECF
TIME STUDY CODE DESCRIPTIONS**

CODE 7371 ARRA 2009 EARNED ECF – ADMIN

Includes activities necessary for the proper administration of the TANF ECF subsidized employment program (e.g. general administration which includes salaries and benefits of staff performing administration and coordination functions of monitoring programs and projects, cost for the goods and services, contract costs and all indirect or overhead costs, etc.).

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties who have earned their FFY 2009 ECF in order to meet the FFY 2010 base by quarter.

CODE 7381 ARRA 2009 EARNED ECF – NON-ADMIN

Includes activities related to a county's direct administration costs for the subsidized employment program (e.g. salaries and benefit costs for staff providing program services and contracts devoted entirely to such activities; program case management, providing information to clients, screening and assessments, development of employability plans, work site recruitment, placement, etc.). It is not considered to be general administration and/or coordination of the subsidized employment program.

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties who have earned their FFY 2009 ECF in order to meet the FFY 2010 base by quarter.

CODE 8701 ARRA SUB EMPLOY BASE – ADMIN

Includes activities necessary for the proper administration of the TANF ECF subsidized employment program (e.g. general administration which includes salaries and benefits of staff performing administration and coordination functions of monitoring programs and projects, cost for the goods and services, contract costs and all indirect or overhead costs, etc.).

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is only available for those counties who had expenditures in the base year. This code will be blocked for counties who are not base counties.

CODE 8711 ARRA SUB EMP BASE – NON-ADMIN

Includes activities related to a county's direct administration costs for the subsidized employment program (e.g. salaries and benefit costs for staff providing program services and contracts devoted entirely to such activities; program case management, providing information to clients, screening and assessments, development of employability plans, work site recruitment, placement, etc.). It is not considered to be general administration and/or coordination of the subsidized employment program.

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is only available for those counties who had expenditures in the base year. This code will be blocked for counties who are not base counties.

CODE 8721 SUB EMP ECF/COUNTY – ADMIN

Includes activities necessary for the proper administration of the TANF ECF subsidized employment program (e.g. general administration which includes salaries and benefits of staff performing administration and coordination functions of monitoring programs and projects, cost for the goods and services, contract costs and all indirect or overhead costs, etc.).

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties claiming 100 percent of their wage subsidies and administrative costs associated with subsidized employment; who wish to fund 20 percent with county funds or documented third party contributions. This includes counties using county funds for the needy family population. (ACL 09-42, dated September 15, 2009).

These codes should be used by counties who do not have a base obligation including those counties who have additional expenditures above their base.

CODE 8731 SUB EMP ECF/COUNTY – NON-ADMIN

Includes activities related to a county's direct administration costs for the subsidized employment program (e.g. salaries and benefit costs for staff providing program services and contracts devoted entirely to such activities; program case management, providing information to clients, screening and assessments, development of employability plans, work site recruitment, placement, etc.). It is not considered to be general administration and/or coordination of the subsidized employment program.

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties claiming 100 percent of their wage subsidies and administrative costs associated with subsidized employment; who wish to fund 20 percent with county funds or documented third party contributions. This includes counties using county funds for the needy family population. (ACL 09-42, dated September 15, 2009).

These codes should be used by counties who do not have a base obligation including those counties who have additional expenditures above their base.

CODE 8741 SUB EMP ECF/SINGLE – ADMIN

Includes activities necessary for the proper administration of the TANF ECF subsidized employment program (e.g. general administration which includes salaries and benefits of staff performing administration and coordination functions of monitoring programs and projects, cost for the goods and services, contract costs and all indirect or overhead costs, etc.).

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties claiming 100 percent of their wage subsidies and administrative costs associated with subsidized employment; whose recipients are federally eligible under CalWORKs and want to fund 20 percent with their Single Allocation.

CODE 8751 SUB EMP ECF/SINGLE – NON-ADMIN

Includes activities related to a county's direct administration costs for the subsidized employment program (e.g. salaries and benefit costs for staff providing program services and contracts devoted entirely to such activities; program case management, providing information to clients, screening and assessments, development of employability plans, work site recruitment, placement, etc.). It is not considered to be general administration and/or coordination of the subsidized employment program.

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties claiming 100 percent of their wage subsidies and administrative costs associated with subsidized employment; whose recipients are federally eligible under CalWORKs and want to fund 20 percent of their base expenditures with their Single Allocation.

CODE 8761 NONFED SUB EMP ECF/SINGLE – ADMIN

Includes activities necessary for the proper administration of the TANF ECF subsidized employment program (e.g. general administration which includes salaries and benefits of staff performing administration and coordination functions of monitoring programs and

Attachment A

projects, cost for the goods and services, contract costs and all indirect or overhead costs, etc.).

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties who will claim 100 percent of their wage subsidies and administrative costs associated with subsidized employment and whose recipients are not federally eligible under TANF.

CODE 8771 NONFED SUB EMP ECF/SINGLE – NON-ADMIN

Includes activities related to a county's direct administration costs for the subsidized employment program (e.g. salaries and benefit costs for staff providing program services and contracts devoted entirely to such activities; program case management, providing information to clients, screening and assessments, development of employability plans, work site recruitment, placement, etc.). It is not considered to be general administration and/or coordination of the subsidized employment program.

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties who will claim 100 percent of their wage subsidies and administrative costs associated with subsidized employment and whose recipients are not federally eligible under TANF.

CODE 8781 SUB EMP ECF/FRAUD INC – ADMIN

Includes activities necessary for the proper administration of the TANF ECF subsidized employment program (e.g. general administration which includes salaries and benefits of staff performing administration and coordination functions of monitoring programs and projects, cost for the goods and services, contract costs and all indirect or overhead costs, etc.).

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties who will claim 100 percent of their wage subsidies and administrative costs associated with subsidized employment, and wish to fund 20 percent of their base expenditures with their Fraud incentives.

CODE 8791 SUB EMP ECF/FRAUD INC – NON-ADMIN

Includes activities related to a county's direct administration costs for the subsidized employment program (e.g. salaries and benefit costs for staff providing program services and contracts devoted entirely to such activities; program case management, providing information to clients, screening and assessments, development of employability plans,

Attachment A

work site recruitment, placement, etc.). It is not considered to be general administration and/or coordination of the subsidized employment program.

These include but are not limited to activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management, and program oversight.

Note: This time study code is available for counties who will claim 100 percent of their wage subsidies and administrative costs associated with subsidized employment, and wish to fund 20 percent of their base expenditures with their Fraud incentives.



JOHN A. WAGNER
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



ARNOLD SCHWARZENEGGER
GOVERNOR

October 26, 2009

COUNTY FISCAL LETTER (CFL) 09/10-32

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY FISCAL OFFICERS
ALL COUNTY AUDITOR CONTROLLERS
ALL COUNTY PROBATION OFFICERS

SUBJECT: FINAL CLAIMING INSTRUCTIONS FOR THE TEMPORARY
ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY
CONTINGENCY FUND (ECF)

REFERENCE: CFL 09/10-03, ALL COUNTY LETTER (ACL) 09-42

This CFL provides County Welfare Departments (CWDs) with final instructions regarding the claiming of TANF ECF subsidized employment expenditures in the County Expense Claim (CEC). A subsequent CFL will be issued regarding claiming TANF ECF non-recurring short term benefits expenditures.

American Recovery and Reinvestment Act (ARRA) of 2009

On February 17, 2009, the President signed ARRA, establishing the ECF for state TANF programs, i.e. the California Work Opportunity and Responsibility to Kids (CalWORKs) program. ARRA provides new funding to California for assistance, subsidized employment programs, and/or non-recurring short term benefits under certain conditions. Through the ECF, California could be reimbursed for 80 percent of expenditures in federal fiscal years (FFY) 2009 and FFY 2010 that exceed the state's expenditures in the determined base year (either FFY 2007 or FFY 2008). In order to be eligible to receive ECF funds, the California Department of Social Services (CDSS) would have to not only maintain the base level expenditures, but exceed that level of base expenditures. ECF funds will cover 80 percent of expenditures exceeding the base, while counties must fund the remaining 20 percent. Counties will have four different ways to fund the 20 percent, which includes using county funds/third party contributions, Single Allocation, or Fraud Incentives. To ensure the statewide base is met, CDSS, the County Welfare Directors Association (CWDA), and county representatives have collaboratively developed a quarterly process to be implemented. For more information regarding the subsidized employment TANF ECF implementation, please refer to ACL No. 09-42.

Assembly Bill (AB) 98 and TANF ECF

AB 98, Chapter 589, Statutes of 2007 allowed counties to fund 50 percent of the amount paid to employers for subsidized employment from their county's Single Allocation and the remainder to be funded outside the county's Single Allocation. CFL No. 07/08-35 instructed counties how to claim wage subsidy costs to the following program identifier numbers (PIN):

PIN	403028	AB 98 Subsidized Employment
PIN	404098	AB 98 Nonfederal Subsidized Employment
PIN	633098	WTW Subsidized Employment
PIN	451098	Nonfederal WTW Subsidized Employment

As part of the collaborative effort to implement ECF subsidized employment, counties have agreed to suspend AB 98 claiming, and the funds previously appropriated for the purposes of AB 98 will be utilized to pay for the TANF ECF subsidized employment base year expenditures. Therefore, effective with the September 2009 quarter, claiming to the codes listed above has been suspended as long as funding for TANF ECF is available.

Base Year Expenditures

It has been determined that for the subsidized employment program, FFY 2009 and FFY 2010 expenditures would be compared to the base year, FFY 2007, expenditures on a quarter by quarter basis. The quarterly process includes the provision that the state will fund 100 percent of the base year expenditures if counties, on a statewide basis, meet and exceed the FFY 2007 expenditures. Refer to Attachment I for county-specific quarterly breakdowns of the state's base expenditures. Please note that Attachment I has been revised due to revised administrative cost assumptions. Thus, those counties who had subsidized employment expenditures in FFY 2007 will receive an equivalent amount of their FFY 2009 and FFY 2010 base expenditures funded at 100 percent with State General Fund (SGF). Any base county that exceeds their FFY 2007 expenditures in FFY 2009 and FFY 2010 will be reimbursed 80 percent of the portion that exceeds the base with ECF funds. Those counties that did not have subsidized employment expenditures in FFY 2007 will not benefit from the 100 percent state funded base codes, except as described below, but are eligible to receive an 80 percent reimbursement on all their expenditures if the base amount is exceeded statewide.

To ensure the base is met statewide before accessing ECF funds, CWDA has agreed to monitor base counties on a quarterly basis, and contact CDSS prior to the end of each quarter to provide county-specific information for base year amounts. This process

must be adhered to in order for the subsidized employment program to be successful. Without CWDA coordination, the state's ECF funds may be at risk.

CWDA and county representatives have also developed a methodology regarding how the state should reallocate the base in the event a county is not able to meet their base obligation. If a county is unable to spend their commensurate share of the base funding, CWDA will inform CDSS on how the base should be redistributed. The redistribution methodology allows San Bernardino to access the remaining state funds first, followed by Los Angeles and San Francisco. In the event that collectively San Bernardino, Los Angeles and San Francisco cannot meet the additional base, counties who did not have an existing program in the base year would have the opportunity to fund some of their expenditures with SGF.

Retroactive Claiming (October 2008 - June 2009)

Retroactive claiming for the first three quarters of FFY 2009 (October 2008 through June 2009) will not be permitted. After recent discussions with the federal government, it was determined that community college expenditures must be included in the base year data to continue processing the state's request for ECF funding. Due to budget reductions in State Fiscal Year 2009-10, community colleges will not be able to meet their base year expenditure level in FFY 2010, resulting in the statewide base not being met in FFY 2010. In order to meet the statewide base in FFY 2010, counties must use the earned FFY 2009 ECF funds, from the first three quarters, on subsidized employment expenditures. Refer to Attachment II for county-specific quarterly breakdowns of how the earned ECF must be spent in FFY 2010.

Claiming Instructions

As instructed on the August 6, 2009, preliminary CFL No. 09/10-03, counties were to begin internally tracking their expenditures and time for the ECF subsidized employment program. Since federal approval has been granted, any expenditures that were internally tracked, beginning with the September 2009 quarter, can now be claimed to the CEC. However, payments for these costs will not be processed until state budget authority has been granted.

Due to the timing that information must be submitted to the Department of Health and Human Services and the Administration for Children and Families, no adjustments will be allowed for the adjustment quarters of March 2010, June 2010 or September 2010. As a result of the CEC requirement of Cash Basis Claiming, only costs paid in the September 2010 quarter can be claimed on the September quarter 2010 CEC. CDSS is currently discussing options for claiming costs for subsidized employment for those services incurred prior to September 30, 2010, but not paid until after September 30, 2010.

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Effective with the September 2009 quarter, the following program code (PC) and PIN code instructions have been established to capture a CalWORKs recipient's wage subsidy costs and any additional administrative costs associated with subsidized employment. According to 45 CFR 263.13, States may not expend more than 15 percent of their total TANF expenditures on administrative activities and those administrative costs must be reported separately from non-administrative costs. In order to comply with federal regulations, counties must identify their administrative and non-administrative costs and claim them accordingly. An outline of administrative costs associated with the 15 percent cap can be found at 45 CFR 263.0(b)(1).

Claiming Expenditures for the Base:

The following PCs will only be available for those counties who had expenditures in the base year. The implementation plan states that counties, who contributed to the FFY 2007 base, would have their proportionate share of the base funded, by quarter, at 100 percent for FFY 2009 and 2010 expenditures. In order to meet the base, counties will utilize PC 870 (Admin) or PC 871 (Non-Admin) for claiming base expenditures. If a county did not have a program in the base year but will be allowed to access the 100 percent state funded code, as outlined under the redistribution methodology, CDSS will make this PC available on a quarter by quarter basis. Otherwise, these codes will be blocked for counties who are not base counties.

PC	870	ARRA Sub Employ Base - Admin
PIN	870028	Work-Related Activities and Expenses
PIN	870032	Contracted Service
PIN	870098	Wage Subsidies

PC	871	ARRA Sub Employ Base - NonAdmin
PIN	871028	Work-Related Activities and Expenses
PIN	871032	Contracted Service
PIN	871098	Wage Subsidies

Costs will be funded at 00/100/00/00 (Federal/State/Health/County).

Claiming Earned FFY 2009 ECF for Use in FFY 2010 Expenditures:

Effective with the December 2009 quarter, the following PCs will only be available for those counties in Attachment II that have earned FFY 2009 ECF. In order to meet the FFY 2010 base by quarter, counties in Attachment II must utilize PC 737 (Admin) and PC 738 (Non-Admin) for claiming FFY 2010 expenditures before using the Non-Base Year codes. PC 737 and PC 738 will be funded 100 percent ECF.

PC	737	ARRA 2009 Earned ECF - Admin
PIN	737028	Work-Related Activities and Expenses
PIN	737032	Contracted Service
PIN	737098	Wage Subsidies

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PC	738	ARRA 2009 Earned ECF - NonAdmin
PIN	738028	Work-Related Activities and Expenses
PIN	738032	Contracted Service
PIN	738098	Wage Subsidies

Costs will be funded at 100/00/00/00 (Federal/State/Health/County).

Claiming Non-Base Year Expenditures:

The following PCs should be used by counties who do not have a base obligation as well as those counties who have additional expenditures above their base. Counties will need to cover the 20 percent with county funds, third party contributions, Single Allocation funds, or Fraud Incentive funds. Counties will have the option to claim to the following codes based on how they chose to fund the 20 percent not covered by the TANF ECF.

Fund with County funds or Third Party contributions:

Counties will claim 100 percent of their wage subsidies and other administrative costs associated with subsidized employment to PC 872 (Admin) or PC 873 (Non-Admin), if they wish to fund the 20 percent with county funds or documented third party contributions. Additionally, counties who have provided services to needy families were funding this population with county funds, since they were ineligible for funding through the Single Allocation. ACL 09-42 expands the population to needy families specifically for services provided under TANF ECF. Counties, who wish to fund this population with TANF ECF can claim to PC 872 or PC 873 and must continue to fund the 20 percent using county funds. Through the use of a State Use Only (SUO) Code, the CEC will shift 20 percent of the costs claimed to PC 872 to SUO Code 383, and PC 873 to SUO Code 384.

PC	872	Sub Emp ECF/County - Admin
PIN	872028	Work-Related Activities and Expenses
PIN	872032	Contracted Service
PIN	872098	Wage Subsidies

PC	873	Sub Emp ECF/County - NonAdmin
PIN	873028	Work-Related Activities and Expenses
PIN	873032	Contracted Service
PIN	873098	Wage Subsidies

Costs in PC 872 and PC 873 will be funded at 100/00/00/00 (Federal/State/Health/County). Costs moved to SUO Code 383 and SUO Code 384 will be funded at 00/00/00/100 (Federal/State/Health/County).

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Fund with Single Allocation – Federally Eligible population:

Counties will claim 100 percent of their wage subsidies and other administrative costs associated with subsidized employment to PC 874 (Admin) or PC 875 (Non-Admin), if the recipient is federally eligible under CalWORKs and they wish to fund the 20 percent with their Single Allocation. The CEC will shift 20 percent of the costs claimed to PC 874 to SUO Code 385 and PC 875 to SUO Code 386. SUO 385 and SUO 386 will be included in Ledger #076 and tracked against the counties Single Allocation.

PC	874	Sub Emp ECF/Single - Admin
PIN	874028	Work-Related Activities and Expenses
PIN	874032	Contracted Service
PIN	874098	Wage Subsidies

PC	875	Sub Emp ECF/Single - NonAdmin
PIN	875028	Work-Related Activities and Expenses
PIN	875032	Contracted Service
PIN	875098	Wage Subsidies

Costs in PC 874 and PC 875 will be funded at 100/00/00/00 (Federal/State/Health/County). Costs moved to SUO Code 385 and SUO Code 386 will be funded at 100/00/00/00 (Federal/State/Health/County).

Fund with Single Allocation – Non-Federal population:

Counties will claim 100 percent of their nonfederal CalWORKs recipient's wage subsidies and other administrative costs associated with subsidized employment to PC 876 (Admin) or PC 877 (Non-Admin), if the recipient is not federally eligible under TANF. ECF funds are not allowable for non-federal eligible recipients. Therefore, this code will be funded 100 percent SGF and tracked against the Single Allocation.

PC	876	NonFed Sub. Emp ECF/Sing - Adm
PIN	876028	Work-Related Activities and Expenses
PIN	876032	Contracted Service
PIN	876098	Wage Subsidies

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PC	877	NonFed Sub. Emp ECF/Sing - NonAdm
PIN	877028	Work-Related Activities and Expenses
PIN	877032	Contracted Service
PIN	877098	Wage Subsidies

Costs in PC 876 and 877 will be funded at 00/100/00/00
(Federal/State/Health/County).

Fund with Fraud Incentive funds

Counties will claim 100 percent of their wage subsidies and other administrative costs associated with subsidized employment to PC 878 (Admin) or PC 879 (Non-Admin), if they wish to fund the 20 percent with their Fraud Incentives. Additionally, counties who provide services to needy families, expanded by ACL 09-42, can also fund this population with TANF ECF and fraud incentives. To use county fraud incentives, counties must manually enter the amount, equivalent to 20 percent of the total expenditures claimed, on the DFA 335 fraud incentives page. The claim will not balance and can not be submitted if you utilize PC 878 or PC 879 without inputting 20 percent on the DFA 335.

PC	878	Sub Emp ECF/Fraud Inc - Admin
PIN	878028	Work-Related Activities and Expenses
PIN	878032	Contracted Service
PIN	878098	Wage Subsidies

PC	879	Sub Emp ECF/Fraud Inc - NonAdmin
PIN	879028	Work-Related Activities and Expenses
PIN	879032	Contracted Service
PIN	879098	Wage Subsidies

Costs in PC 878 and 879 will be funded at 100/00/00/00
(Federal/State/Health/County). Costs reported on the DFA 335 will be funded at 100/00/00/00 (Federal/State/Health/County) and tracked against the county's Fraud Incentives Allocation. If the county does not have sufficient Fraud Incentive Allocation balance to cover the 20 percent, the county will be contacted and will need to move 100 percent of the costs claimed to PC 878 or PC 879 to one of the other ECF codes. It is in the best interest of the county to ensure they have available balance to prevent delays in auditing the CECs.

Time Study Instructions

Effective with the September 2009 quarter, counties may be able to time study their time associated with subsidized employment ECF activities to any of the following time study codes (TSC):

TSC	8701	ARRA Sub Employ Base – Admin
TSC	7371	ARRA 2009 Earned ECF - Admin
TSC	8721	Sub Emp ECF/County - Admin
TSC	8741	Sub Emp ECF/Single - Admin
TSC	8761	NonFed Sub Emp ECF/Sing - Admin
TSC	8781	Sub Emp ECF/Fraud inc - Admin
TSC	8711	ARRA Sub Employ Base - NonAdmin
TSC	7381	ARRA 2009 Earned ECF - NonAdmin
TSC	8731	Sub Emp ECF/County - NonAdmin
TSC	8751	Sub Emp ECF/SingLE - NonAdmin
TSC	8771	NonFed Sub Emp ECF/Sing - NonAdmin
TSC	8791	Sub Emp ECF/Fraud Inc - NonAdmin

These TSC include, but are not limited to, activities related to a county's subsidized employment program, such as, work site recruitment and development, placement, case management services, and program oversight.

Support staff performing direct-to-program activities associated with the subsidized employment program, will time study to any of the following direct-to-program codes:

B70	ARRA Sub Employ Base - Admin
B80	ARRA 2009 Earned ECF - Admin
B72	Sub Emp ECF/County - Admin
B74	Sub Emp ECF/Single - Admin
B76	NonFed Sub. Emp ECF/Sing - Admin
B78	Sub Emp ECF/Fraud – Admin
B71	ARRA Sub Employ Base - NonAdmin
B81	ARRA 2009 Earned ECF - NonAdmin
B73	Sub Emp ECF/County - NonAdmin
B75	Sub Emp ECF/Single - NonAdmin
B77	NonFed Sub. Emp ECF/Sing - NonAdmin
B79	Sub Emp ECF/Fraud - NonAdmin

Advances, Reconciliation, and Reimbursements

As indicated in CFL 09/10-03, advances for ECF may only be made once we receive the funds from the federal government, and corresponding Budget authority is available in CDSS accounts. Although we have received federal approval, as of this date, we have not received the corresponding Budget authority. Therefore, due to the delay of the application approval and Budget authority, CDSS was not able to provide advances for the September 2009 quarter. As soon as the budget authority is received, CDSS will either issue the September 2009 quarter advance or reimburse counties with the September 2009 quarter's payment on January 15, 2010, whichever occurs first.

Funding for December 2009, March 2010, and June 2010 quarters' advances will be dependent on federal approval only.

In the event advances are issued, the advances will be reconciled with the corresponding quarter's audited CEC. Any offset, positive or negative, will be adjusted in the next month's advance. As actual expenditures become available, advances will be based on those actual expenditures. Therefore, counties should ensure expenditures are claimed on their original quarter's CEC.

If you have any questions regarding this CFL, please direct them to Fiscal Systems Bureau electronic mailbox at fiscal.systems@dss.ca.gov.

Sincerely,

Original Document Signed By:

ERIC FUJII
Deputy Director
Administration Division

Attachments

Attachment I
Subsidized Employment Base - County Expenditures¹

Counties	Oct 06 - Dec 06	Jan 07 - Mar07	Apr 07 - Jun 07	Jul 07 - Sept 07	FFY 2007
ALAMEDA					
ALPINE					
AMADOR					
BUTTE					
CALAVERAS					
COLUSA					
CONTRA COSTA					
DEL NORTE					
EL DORADO					
FRESNO					
GLENN					
HUMBOLDT	110,947	141,432	164,039	186,979	603,397
IMPERIAL					
INYO					
KERN			635,495		635,495
KINGS					
LAKE					
LASSEN					
LOS ANGELES	302,177	458,392	392,892	352,995	1,506,456
MADERA	60,574	72,414	100,827	71,484	305,300
MARIN					
MARIPOSA					
MENDOCINO					
MERCED					
MODOC					
MONO					
MONTEREY					
NAPA					
NEVADA					
ORANGE					
PLACER					
PLUMAS					
RIVERSIDE					
SACRAMENTO					
SAN BENITO					
SAN BERNARDINO	743,163	975,840	921,502	1,101,242	3,741,746
SAN DIEGO					
SAN FRANCISCO				189,647	189,647
SAN JOAQUIN					
SAN LUIS OBISPO					
SAN MATEO					
SANTA BARBARA					
SANTA CLARA					
SANTA CRUZ					
SHASTA					
SIERRA					
SISKIYOU					
SOLANO					
SONOMA					
STANISLAUS					
SUTTER					
TEHAMA					
TRINITY					
TULARE					
TUOLUMNE					
VENTURA					
YOLO					
YUBA					
COMMUNITY COLLEGE	3,608,792	3,608,792	3,608,792	3,608,792	14,435,166
Statewide	4,825,653	5,256,870	5,823,547	5,511,139	21,417,207

SOURCE: County Expense Claim Direct Cost Report dated 3/17/09, LA adj received in 3/2009, and Santa Cruz, Humboldt, and Madera adj received in 4/2009.

¹includes wages, admin costs, and other activities related to subsidized employment program.

Attachment II

Preliminary Subsidized Employment County Distribution of Earned FFY 2009 ECF¹

Counties	Oct 09 - Dec 09	Jan 10 - Mar10	Apr 10 - Jun 10	Jul 10 - Sept 10	FFY 2010
ALAMEDA					
ALPINE					
AMADOR					
BUTTE					
CALAVERAS					
COLUSA					
CONTRA COSTA					
DEL NORTE					
EL DORADO					
FRESNO					
GLENN					
HUMBOLDT	46,705	46,705	46,705	46,705	186,821
IMPERIAL					
INYO					
KERN					
KINGS					
LAKE					
LASSEN					
LOS ANGELES					
MADERA	34,501	34,501	34,501	34,501	138,005
MARIN					
MARIPOSA					
MENDOCINO					
MERCED					
MODOC					
MONO					
MONTEREY					
NAPA					
NEVADA					
ORANGE					
PLACER					
PLUMAS					
RIVERSIDE					
SACRAMENTO					
SAN BENITO					
SAN BERNARDINO	434,276	434,276	434,276	434,276	1,737,106
SAN DIEGO					
SAN FRANCISCO	74,537	74,537	74,537	74,537	298,149
SAN JOAQUIN					
SAN LUIS OBISPO					
SAN MATEO					
SANTA BARBARA					
SANTA CLARA	25,096	25,096	25,096	25,096	100,384
SANTA CRUZ					
SHASTA					
SIERRA					
SISKIYOU					
SOLANO					
SONOMA					
STANISLAUS					
SUTTER					
TEHAMA	77,549	77,549	77,549	77,549	310,195
TRINITY					
TULARE					
TUOLUMNE					
VENTURA					
YOLO					
YUBA					
Statewide	692,665	692,665	692,665	692,665	2,770,660

¹These numbers are subject to change as individual county adjustment claims are submitted.

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act Funds (ARRA) issued a draft review report to the California Department of Social Services (CDSS) on March 29, 2010. We received CDSS' response to that report on April 7, 2010.

Inadequate Monitoring and Reporting of Quarterly Base Level Expenditures

As the prime recipient for the Temporary Assistance for Needy Families, Emergency Contingency Fund (ECF), CDSS is responsible for monitoring and ensuring that the processes used to collect the base information accurately report whether counties have met their base, and that CDSS has sufficient base expenditures prior to claiming ECF reimbursement. The discrepancy we identified for San Bernardino County's reported base expenditures reflects that the current processes are not functioning as intended. CDSS should properly document and communicate to the counties, the current process used by the County Welfare Directors' Association (CWDA) in more detail than the County Fiscal Letter 09/10-32.

CDSS stated that the discrepancy was identified through its desk audit of the quarterly County Expense Claims (CEC). However, if this was true CDSS should have provided the IG staff with the corrected documentation. When the IG identified the discrepancy and contacted CDSS, the Chief of the Fiscal Systems Bureau explained that the discrepancy occurred because the CEC document provided to the IG was a "prior-to-audit" version. The CDSS stated that the audit of San Bernardino County's CEC would not be complete until the end of March.

While CDSS did issue a County Fiscal Information Notice (No. CN-09-1044), the notice did not specifically address a procedure to assure accurate reporting of base-level expenditures to CDSS by CWDA and the counties.

Untimely Processing of County Expense Claims

CDSS' untimely processing of CEC delays cash flow of ARRA funds to the counties. CDSS adjusts each quarter's advance to a county to reflect the county's prior quarter claimed expenditures and remaining cash balance. CDSS' untimely completion of the quarterly CEC desk audits, in effect delays the disbursement of next quarter's advance to the counties, and CDSS' federal financial reporting for the quarter. For example, CDSS didn't disburse the second quarter's advance (October 1, 2009 through December 31, 2009) until February 2010.

Incorrect Calculation of the Required County Match

CDSS agreed to implement corrective action.

TEFAP Sub-Recipients Not Required to Track ARRA Funds Separately

CDSS should not reimburse ARRA funds to sub-recipients who cannot or will not track ARRA funds separately. This requirement should be included in CDSS' contracts with all sub-recipients prior to awarding funds.

Documentation of ARRA Claimed Expenditures Not Required

CDSS should not rely solely on A-133 audits of food banks to determine which sub-recipients are high risk. To assure accountability and transparency of ARRA funds, CDSS should re-evaluate its policy on requiring supporting documentation for quarterly claims. In their response, CDSS stated that, "reviews are conducted annually of approximately 25 percent of the food banks." When we contacted CDSS staff for a list of food banks that were reviewed in Fiscal Year 2008/09, they stated only 3 out of 49, totaling only 7 percent were actually reviewed.